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# Reports and Testimony: December 1995

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## Highlights

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### Financial Management

*The Chief Financial Officers Act of 1990 is forcing reforms in federal financial management: use of modern accounting and information systems, institution of better performance measures, and design of results-oriented reports on the financial condition of federal agencies. Despite progress, however, implementation of these reforms remains a challenge. Page 11.*

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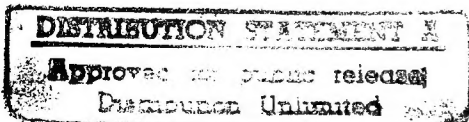
### Unmanned Aerial Vehicles

*Despite objections from Navy fleet commanders, the Defense Department continues to develop a variant of the Hunter unmanned aerial vehicle for use on amphibious assault ships. The fleet commanders do not want the Hunter because of limited shipboard space and its questionable performance record. Page 18.*

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### Postal Service

*Although the Postal Service has been collecting data on satisfaction of business customers since 1993 as part of an effort to improve service, fear that it might help competitors has kept the Service from distributing these data internally or externally. GAO believes that use of these data with appropriate safeguards could help assess and improve customer service. Page 11.*



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# Reports and Testimony: December 1995

## Budget and Spending

### **Impoundments:**

#### **Comments on Three Proposed Deferrals of Fiscal Year 1996 Budget Authority**

GAO/OGC-96-2, Nov. 21 (two pages).

On October 19, 1995, the President submitted to Congress his first special impoundment message for fiscal year 1996. The message reports three deferrals of budget authority affecting the Economic Support Fund and the International Fund for Ireland, the Social Security Administration, and the United States Emergency Refugee and Migration Assistance Fund. GAO reviewed the deferrals and found them to be in accordance with the Impoundment Control Act.

### **Budget Issues:**

#### **Privatization/Divestiture Practices in Other Nations**

GAO/AIMD-96-23, Dec. 15 (32 pages).

Various divestiture proposals are now being considered in the United States, including plans to sell the Naval Petroleum Reserves, four Power Marketing Administrations, and the Helium Program. Because the U.S. government has limited experience with asset divestiture, GAO examined the experiences of other governments for lessons that might prove useful for the United States. For this study, GAO reviewed the divestiture experiences of the following countries: Canada, France, Mexico, New Zealand, and the United Kingdom. Major industries that have been fully or partially privatized include agriculture; mining and construction; manufacturing; transportation and public utilities; finance, insurance, and real estate; and services. This report discusses the (1) privatization process, (2) valuation and preparation of the assets for sale, and (3) use and display of the sale proceeds for budgetary purposes.

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## Business, Industry, and Consumers

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### Testimony

**Small Business Administration: Case Studies Illustrate 8(a) Program and Contractor Abuse**, by Donald J. Wheeler, Acting Director of the Office of Special Investigations, before the House Committee on Small Business. GAO/T-OSI-96-1, Dec. 13 (nine pages).

This testimony discusses program and contractor abuses involving two of the top 25 contractors participating in the Small Business Administration's (SBA) 8(a) business development program, which is intended to promote the development of small businesses owned by socially and economically disadvantaged persons. GAO's investigation uncovered program abuse and ineffective SBA oversight of the two firms—I-NET, Inc., of Bethesda, Maryland, and TAMSCO of Calverton, Maryland. During the application process, both firms provided information that raised questions about their eligibility to participate in the program, but SBA did not fully resolve these issues before admitting the firms to the program. Further, one firm misrepresented its qualifications to enter and stay in the program. SBA did not, however, suspend the firm's contracts or remove it from the program after it learned about the misrepresentations. With regard to the second firm, GAO questioned the practices of the contracting agency—the Coast Guard. Coast Guard officials changed the original classification code in a contract with the second firm to one for which the firm qualified and altered the contract's minimum value to direct a contract to the firm, avoiding federal competition requirements.

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### Civil Rights

**Department of Education:  
Efforts by the Office of Civil Rights to Resolve  
Asian-American Complaints**

GAO/HEHS-96-23, Dec. 11 (56 pages).

As with many other federal agencies responsible for enforcing civil rights and equal employment opportunity laws, in recent years the discrimination complaint workload of the Education Department's Office for Civil Rights has increased, but its staffing has remained level. In the early 1990s, compared with the 1980s, the number of compliance reviews fell and the average time to resolve complaint investigations and complete

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reviews rose. As a result, concerns have been raised about how effectively the Office for Civil Rights carries out its duties. This report examines the Office's complaint investigations and compliance reviews of discrimination cases involving Asian-Americans who applied for or were enrolled in postsecondary schools—mainly colleges and universities.

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## Economic Development

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### Testimony

Community Development: Comprehensive Approaches and Local Flexibility Issues, by Judy A. England-Joseph, Director of Housing and Community Development Issues, before the Senate Committee on Governmental Affairs. GAO/T-RCED-96-53, Dec. 5 (10 pages).

The Local Empowerment and Flexibility Act of 1995 would give greater flexibility to local governments and private nonprofit groups using federal programs to help communities and their residents. The proposed legislation would create a council composed of cabinet-level officials to review and approve local plans for integrating federal funds to meet the needs of a specific geographic area. This testimony is based on a February 1995 GAO report (GAO/RCED/HEHS-95-69) that discussed the comprehensive approaches involving resident participation that community groups have used to address housing, economic, and social service needs in distressed neighborhoods. GAO discusses (1) why community development experts advocate a comprehensive approach, (2) the challenges that a comprehensive approach presents, and (3) how the federal government might support comprehensive approaches.

Natural Disaster Insurance: Federal Government's Interests Insufficiently Protected Given Its Potential Financial Exposure, by Thomas J. McCool, Associate Director for Financial Institutions and Markets Issues, before the Subcommittee on Water Resources and Environment, House Committee on Transportation and Infrastructure. GAO/T-GGD-96-41, Dec. 5 (28 pages).

Proposed legislation (H.R. 1856) would create a new corporation to provide protection against catastrophic losses from natural disasters for residential and commercial property owners. H.R. 1856 would establish (1) natural disaster mitigation programs to be run by the Federal

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Emergency Management Agency and (2) a federally chartered entity—the Natural Disaster Insurance Corporation—to insure residential property owners against losses arising from earthquakes, volcanos, and hurricanes and to provide reinsurance to protect insurers and owners of large residential and commercial properties against catastrophic losses arising from these same disasters. GAO is concerned that this unregulated, privately owned enterprise, which would not be subject to oversight of its risk-taking or solvency, could expose the federal government to significant financial losses.

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## Education

### **School Facilities: States' Financial and Technical Support Varies**

GAO/HEHS-96-27, Nov. 28 (31 pages).

Although local governments have traditionally been responsible for constructing, renovating, and maintaining America's school facilities, most state education agencies have established a state presence in school facilities matters using various approaches. GAO found that states' levels of involvement varied: about one-fourth of them had programs that included ongoing funding assistance, various technical assistance and compliance review activities, and collection of data on the condition of the facilities; 10 states were involved in one or none of the activities. Further, officials reported differing viewpoints and traditions on state involvement in facilities matters. Such variations in approach and philosophy among states illustrate the lack of consensus on the most appropriate and effective state role. Today, state involvement in school facilities remains in flux. Because the physical condition of school buildings has become a concern in school finance equity litigation, experts expect disparities in facilities to be a continuing a pressing issue. States will likely be looked to for ways to lessen these disparities. State governments, however, face pressure from other rapidly rising budget expenditures, such as those for health care, that compete for the same limited funds.

### **School Facilities: Accessibility for the Disabled Still an Issue**

GAO/HEHS-96-73, Dec. 29 (37 pages).

The requirement that programs and activities of schools receiving federal financial assistance be accessible to the disabled has been in force for two

decades. Yet no comprehensive nationwide study has been done or is planned to evaluate schools' accessibility to the disabled. Meanwhile, passage of the Americans With Disabilities Act—although not changing the accessibility requirements for schools from those in the earlier law—has underscored the need to improve accessibility. More than half of schools nationwide reported having spent \$1.5 billion during the last three years on accessibility. Only about 20 percent of schools indicated that such spending had not been needed. A total of 56 percent of all schools estimated that they would need an additional \$5.2 billion for accessibility in the next three years. Only about 26 percent of schools reported that such spending would not be needed. At the district level, the situation is very complex. Just because one school is fully accessible does not mean that other schools in a district are. The law, however, does not require a school district to make each of its buildings or every part of a facility accessible to and usable by persons with disabilities. Lack of funding was cited by many as the main reason for not making schools accessible.

**Financing College Facilities:  
Factors Limit Connie Lee's Ability to Help More Schools**

GAO/HEHS-96-6, Dec. 8 (25 pages).

The College Construction Loan Insurance Association (Connie Lee) is a for-profit bond insurance holding company that insures municipal bonds issued by schools of higher education (colleges, universities, and teaching hospitals) that have difficulty obtaining insurance because their bonds have relatively low credit ratings—BBB and below. Connie Lee insures bonds issued to build and renovate academic buildings. Although federal law generally limits Connie Lee to insuring bonds that are relatively greater credit risks, state law constrains bond insurance companies, including Connie Lee, to insuring 95 percent of their business in bonds rated BBB and above. Industry practice further constrains these companies. Rating firms' guidelines require larger amounts of capital for insuring bonds rated below BBB than for insuring bonds rated BBB and above. Among those schools that Connie Lee is permitted to serve, some, including some historically black colleges and universities, do not need or want to issue bonds or to insure the bonds that they issue. For example, some bonds that public schools issue do not require insurance because the bonds have the states' credit rating. These high ratings reduce or eliminate the benefits of insurance. Some schools, both public and private, are fundamentally strong and do not have to take out loans to finance construction projects. Yet other schools find the cost to issue bonds or the

size of the debt incurred makes using bonds to finance a project impractical. Finally, some schools find other sources of financing, such as the Education Department.

**School Finance:  
Three States' Experiences With Equity in School Funding**

GAO/HEHS-96-39, Dec. 19 (56 pages).

Since the 1960s, the federal government has targeted educational funds to areas with the greatest need. More recently, the federal government has also encouraged states and localities to develop high academic standards for all school-age children. The system used to finance local schools in each state can affect whether students in all districts can realistically meet such standards. In most states, these systems rely heavily on local property wealth, which can vary greatly from district to district. Since 1989, more than half of the states have been involved in lawsuits alleging that disparate access to education revenues violated the state's responsibility to provide for the education of all students. GAO reviewed the experiences of three states—Tennessee, Texas, and Minnesota—that had recently reformed their finance systems to make them more equitable. For each state, GAO characterizes (1) the reforms to the school finance systems and the legal, budgetary, and political pressures that the state legislature faced in making the changes and (2) the general impact of the legislative remedy, especially in addressing disparities in educational funding. This report also presents advice from state officials for other states reforming their school finance systems.

**Head Start:  
Information on Federal Funds Unspent by Program Grantees**

GAO/HEHS-96-64, Dec. 29 (33 pages).

In fiscal year 1995, Head Start—the centerpiece of federal early childhood programs—received \$3.5 billion to provide a range of services to preschool-aged children from poor families. Today, about 1,400 local agencies, known as grantees, sponsor these programs and serve 752,000 children. Local programs provide education, nutrition, health, and social services to low-income children and opportunities for parental involvement and enrichment. Since 1990, Congress has boosted Head Start funding by 135 percent to enable more children to participate and to improve the quality of services. However, some Head Start grantees, as



expected, did not spend all the funds awarded to them each year and carried this unspent money forward for use in subsequent years. This report discusses (1) the amount of Head Start funding unspent by grantees at the end of budget years 1992, 1993, and 1994 and the reasons for these unspent funds; (2) the proportions of carryover funds that were added to grantee awards or that offset grantee awards in subsequent years; (3) the proportions of carryover funds that were one or more grantee budget years old; and (4) grantees' intended uses of carryover funds.

## Energy

### **Uranium Mill Tailings: Cleanup Continues, but Future Costs Are Uncertain**

GAO/RCED-96-37, Dec. 15 (48 pages).

Decades of uranium processing for the nation's nuclear weapons and energy programs has contributed to radioactive contamination at 50 ore-processing sites and thousands of nearby areas. The Energy Department (DOE) now expects to spend more than \$2.4 billion during the next 20 years to clean up surface and groundwater contamination at the sites. Various factors could affect the future federal costs and the ultimate completion dates of the cleanups. These factors include whether (1) DOE will keep open part of one disposal site to dispose of tailings unearthed during future work on roads and utilities and (2) the affected states will contribute their 10-percent share of the groundwater cleanup expenses. Depending on what happens regarding these factors, millions of dollars and years of work could be added to the cleanup effort.

### **Energy Downsizing: Criteria for Community Assistance Needed**

GAO/RCED-96-36, Dec. 27 (nine pages).

Since the end of the Cold War, the Energy Department (DOE) has been downsizing and realigning its facilities. As part of this effort, DOE closed its Pinellas plant in Largo, Florida, which had manufactured components for nuclear weapons. In 1995, DOE transferred the facility to the Pinellas County Industry Council to help alleviate the economic impact of the closing on neighboring communities. DOE also provided funding to help mitigate the effects of the closing. GAO examined the criteria DOE had used to identify and evaluate the economic effects of closing the Pinellas plant and found that DOE's policy guidance supports economic development to

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minimize the impact on displaced workers and affected communities of closing the Department's former defense nuclear weapons facilities. However, DOE has not established specific criteria for identifying and evaluating the impact of the closings; nor has it established criteria for deciding what types and amounts of assistance are appropriate to offset that impact. Such criteria are important because DOE's downsizing will likely continue for years and will cost millions of dollars.

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## Environmental Protection

### **Pesticides: The Phaseout of Methyl Bromide in the United States**

GAO/RCED-96-16, Dec. 15 (41 pages).

Methyl bromide had been used in agriculture since the 1930s, mainly as a fumigant to control pests in the soil before planting seeds, to protect stored crops, and to treat commodities being shipped abroad. World scientists participating in the United Nations Environment Programme concluded that emissions from methyl bromide use contribute significantly to ozone depletion and should be controlled. In response, the Environmental Protection Agency (EPA) issued regulations that froze the production and the importation of methyl bromide at 1991 levels until 2001, when the pesticide is no longer allowed to be produced in the United States for domestic use. However, a phaseout of the substance could harm U.S. agriculture and trade unless adequate—that is, environmentally acceptable, effective, and economical—alternatives are found before the ban takes effect in five years. More progress in identifying alternatives is being made for some uses of methyl bromide than for others. If adequate alternatives are not ready by the time the ban takes effect, exemptions from the ban may be needed for some domestic uses until alternatives can be developed. EPA now lacks the authority, however, to grant exemptions for the continued production and/or importation of methyl bromide for domestic uses.

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## Testimony

Superfund: Use of Innovative Technologies for Site Cleanups, by Lawrence J. Dyckman, Associate Director for Environmental Protection Issues, before the Subcommittee on Energy and Environment, House Committee on Science. GAO/T-RCED-96-45, Dec. 6 (12 pages).

In past and ongoing work, GAO has assessed the Environmental Protection Agency's (EPA) promotion of innovative technologies at Superfund sites.

GAO testified that EPA has made progress in using innovative technology at Superfund sites, but these technologies are still used at only a small number of locations. Greater use of new technologies, which can reduce cleanup costs, has been prevented by such factors as regulatory standards, the absence of track records for these technologies, and uncertainties about future regulatory standards. Even after Congress reauthorizes Superfund, it is likely that these challenges to the development and the use of new technologies will continue.

## Financial Institutions

### **Resolution Trust Corporation: Performing Assets Sold to Acquirers of Minority Thrifts**

GAO/GGD-96-44, Dec. 22 (17 pages).

GAO reviewed the Resolution Trust Corporation's (RTC) efforts to sell performing assets to acquirers of failed thrifts under the minority preference resolutions program. GAO found that RTC had established a reasonable process anchored to agency and mortgage securities markets standards. This process allowed for the independent valuation of one- to four-family residential mortgage loans that had been offered for sale to minority acquirers. RTC contracted with two independent valuation contractors, experienced in mortgage securities markets, to provide separate prices for each loan, which RTC then averaged and offered to minority acquirers as the final prices. By removing itself from the initial phase of the loan-pricing process, RTC showed its commitment to establishing a process that was fair to minority acquirers but that, at the same time, sought to maximize total return on the disposition of assets as required by law. Under this program, 11 of the 14 minorities who bought thrifts from RTC purchased 4,063 one- to four-family residential mortgage loans. Moreover, to price the loans, the two valuation contractors appeared to have used a reasonable methodology that considered fluctuations in interest rates, credit risk sensitivity, and the fact that these were RTC loans. Further, officials at Fannie Mae and Freddie Mac found this pricing methodology to be generally consistent with their approaches.

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## Financial Management

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### Testimony

**Financial Management: Continued Momentum Essential to Achieve CFO Act Goals**, by Charles A. Bowsher, Comptroller General of the United States, before the Senate Committee on Governmental Affairs. GAO/T-AIMD-96-10, Dec. 14 (31 pages).

This testimony discusses the steady progress being made to improve financial management in the federal government through implementation of the Chief Financial Officers Act of 1990. This landmark legislation was enacted five years ago, but a great deal more perseverance will be required to sustain the current momentum and successfully overcome decades of serious neglect in fundamental financial management operations and reporting methods. The Comptroller General focuses on the following four implementation challenges: (1) successfully implementing the expanded requirements for audited financial statements to improve the reliability of data for decision-making and strengthen the efficiency of financial operations and controls; (2) continuing to build stronger financial management organizations by upgrading skill levels, enhancing training, and ensuring that Chief Financial Officers have the necessary authority to achieve change; (3) devising and applying more effective solutions to overcome difficult problems plaguing agencies' financial systems; and (4) designing comprehensive accountability reports to allow more thorough and objective assessments of agencies' performance and financial contributions, as well as to enhance the budget preparation and deliberation process. The Comptroller General also comments on amendments to the Single Audit Act being considered by Congress.

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## Government Operations

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### **U.S. Postal Service: New Focus on Improving Service Quality and Customer Satisfaction**

GAO/GGD-96-30, Dec. 20 (90 pages).

Above all, Postal Service customers want and expect prompt, reliable mail delivery. When dissatisfied with traditional mail services, customers increasingly turn to alternatives, such as electronic communication or other suppliers. According to the Postal Service, on the basis of current

customer satisfaction levels and if customers could use an alternative service at the same price, more than 40 percent of the residential customer market could be vulnerable to competition. This report examines the Postal Service's efforts to measure, report on, and improve customer satisfaction. GAO discusses (1) to what extent the Service distributes customer satisfaction data for use internally and by Congress; (2) whether the Service can improve the distribution of these data; (3) what steps it is taking to use customer satisfaction and other performance data to improve customer satisfaction by improving customer service; and (4) any additional steps it could take to improve customer satisfaction.

**Government Corporations:  
Profiles of Existing Government Corporations**

GAO/GGD-96-14, Dec. 13 (186 pages).

Government corporations are generally federally chartered entities created to serve a public function of a predominantly business nature. These entities range from Amtrak to the Federal Deposit Insurance Corporation to the Export-Import Bank. This report discusses (1) government corporations now in operation and (2) their adherence to 15 federal statutes.

**Transforming the Civil Service—Building the Workforce of  
the Future:  
Results of a GAO-Sponsored Symposium**

GAO/GGD-96-35, Dec. 26 (36 pages).

In April 1995, GAO sponsored a symposium—"Transforming the Civil Service: Building the Workforce of the Future"—that brought together representatives of leading private sector firms, public sector employers from both the United States and abroad, and distinguished former federal officials to discuss new approaches to managing people. This report distills from their discussions a set of emerging human resource management principles and points out some ramifications should Congress consider applying these ideas to the federal civil service.

**Office of Management and Budget:  
Changes Resulting From the OMB 2000 Reorganization**

GAO/GGD/AIMD-96-50, Dec. 29 (44 pages).

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This report describes the changes that have resulted from OMB 2000—a major reorganization and process change at the Office of Management and Budget (OMB) that was announced in 1994 as part of the National Performance Review. The main goal of OMB 2000 was to integrate OMB's budget analysis, management review, and policy development roles under a new structure to improve the decisionmaking process and oversight of executive branch operations. GAO describes (1) the changes in OMB's organizational structure, responsibilities, and staffing as a result of OMB 2000; (2) the changes to OMB's three statutory offices; (3) the changes in the attention OMB devoted to management issues in the budget formulation process before and after OMB 2000; and (4) the way OMB planned to evaluate OMB 2000.

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## Testimony

Travel of Government Officials on Government Aircraft, by Mark E. Gebicke, Director of Military Operations and Capabilities Issues, before the Subcommittee on Government Management, Information, and Technology, House Committee on Government Reform and Oversight. GAO/T-NSIAD-96-85, Dec. 29 (13 pages).

This testimony discusses two recent GAO reports (GAO/NSIAD-95-144, July 1995, and GAO/NSIAD-95-168BR, June 1995) on the White House staff's use of military helicopters and government aircraft used to fly senior-level military and civilian officials. This testimony highlights the key findings from these reports and then discusses each finding in detail.

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## Health

### **Medicaid Section 1115 Waivers: Flexible Approach to Approving Demonstrations Could Increase Federal Costs**

GAO/HEHS-96-44, Nov. 8 (87 pages).

Several states have been given waivers allowing them to use savings from managed care Medicaid programs to cover additional beneficiaries. GAO found that contrary to assertions that such waivers would be "budget neutral," most of them could increase federal Medicaid expenditures. Specifically, approved spending limits for demonstration waivers in Oregon, Hawaii, and Florida could boost federal Medicaid outlays. Only Tennessee's 1115 waiver agreement should cost no more than the continuation of its smaller, prewaiver program and, in fact, should yield savings. Federal Medicaid spending could rise significantly if the

administration continues to show a similar flexibility in reviewing state 1115 financing strategies. Five waivers have been approved since Florida's waiver in late 1994, and the large backlog of pending waivers includes three states with large Medicaid programs—New York, Illinois, and Texas. Additional federal dollars are available along with other funding sources identified in state waiver applications. GAO believes that the potential for additional sources of federal funding serves as a hedge against the many uncertainties states face in implementing these ambitious demonstrations—including changing economic conditions, the accuracy of cost-containment assumptions, the availability of anticipated funding cited in waiver applications, and the lack of reliable cost data on the uninsured.

**National Health Service Corps:  
Opportunities to Stretch Scarce Dollars and Improve  
Provider Placement**

GAO/HEHS-96-28, Nov. 24 (59 pages).

The National Health Service Corps (NHSC) places physicians and other health care providers in underserved areas in exchange for scholarships or loan repayments for medical training. In recent years, funding for NHSC scholarships and loan repayments has soared nearly 10-fold, from about \$8 million in fiscal year 1989 to nearly \$80 million in fiscal year 1994. This report (1) compares the costs and benefits of the NHSC scholarship and loan repayment programs and (2) discusses whether NHSC has distributed available providers to as many eligible areas as possible. GAO concludes that the loan repayment programs offers a better long-term investment of limited federal dollars. GAO also found that some areas receive more doctors and other health providers than needed while other areas suffer shortages of requested medical personnel.

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**Information  
Management**

**Financial Management:  
General Computer Controls at the Senate Computer Center**

GAO/AIMD-96-15, Dec. 22 (14 pages).

Computer controls at the Senate Computer Center failed to adequately protect sensitive data, such as that related to payroll and personnel, from unauthorized disclosure and modification. Specifically, GAO found weaknesses in the Center's ability to (1) restrict access to sensitive data, programs, and other computer resources; (2) monitor the activity of users

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and programmers; (3) control changes to software; (4) segregate data processing duties; and (5) provide for continued processing in the event of emergencies or interrupted service. In addition, the Senate lacked a comprehensive strategic plan to secure Senate computer resources that included the Center, the Office of Telecommunications, and system users. The absence of such a plan could lead to security problems as the Senate moves from a centralized mainframe processing to a decentralized network distributed throughout the Senate.

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## Testimony

Managing Technology Change: Challenges and Opportunities for the United States Senate, by Christopher W. Hoenig, Director of Information Resources Management Issues, before the Senate Committee on Rules and Administration. GAO/T-AIMD-96-25, Dec. 7 (14 pages).

As the Senate increases its use of information technology, it is in an excellent position to profit from the experiences of organizations that have used computers and automation to improve their operations. This testimony, which draws on many years of GAO work related to information resources management issues, makes three main points. First, although the Senate is a unique institution, it is similar enough to private and public sector organizations to make learning from their experiences useful. Second, information technology offers many opportunities for the Senate and the entire legislative branch to improve its services to constituents, accessibility to the public, legislative processes and decisionmaking, and committee and public operations. Legislatures around the world are using information technology to improve these same areas. Third, GAO's analysis of successful public and private organizations underscores the need for key management practices that can spell the difference between success and failure in using information technology to improve performance. The key is to develop the organizational strategy and support needed to effectively harness the power of information technology and avoid the costly mistakes that others have made.

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## International Affairs

### **Former Soviet Union: Information on U.S. Bilateral Program Funding**

GAO/NSIAD-96-37, Dec. 15 (136 pages).

Hampered at the outset by a lack of coordination, U.S. aid to the former Soviet Union is now better managed and is achieving promising, albeit



mixed, results in a variety of projects ranging from the promotion of economic reforms to the disposal of nuclear weapons. This report provides information on U.S. bilateral programs with the newly independent states of the former Soviet Union from fiscal year 1990 through December 1994 to help them make the transition to democratic societies with market economies. GAO discusses (1) the amount of funds obligated and spent; (2) the amount of credits provided, including subsidy costs; and (3) the appropriation source and budget function for these funds. This information is categorized by agency, recipient country, and programmatic sector. GAO summarized this and the following report in testimony before Congress; see:

Former Soviet Union: Assessment of U.S. Bilateral Programs, by Harold J. Johnson, Associate Director for International Relations and Trade Issues, before the House Committee on International Relations. GAO/T-NSIAD-96-78, Dec. 15 (13 pages).

**Former Soviet Union:  
An Update on Coordination of U.S. Assistance and Economic  
Cooperation Programs**

GAO/NSIAD-96-16, Dec. 15 (14 pages).

A February 1995 GAO report (GAO/NSIAD-95-10) indicated that the executive branch lacked an effective mechanism to coordinate U.S. bilateral programs designed to assist the newly independent states of the former Soviet Union with economic and political reforms. Specifically, GAO found that the State Department Coordinator's authority was weak and that the U.S. Agency for International Development and other agencies were often embroiled in disputes about implementation of their programs. Since then, the Coordinator's role has been expanded to include oversight of all U.S. government bilateral programs in the former Soviet Union, and his authority to review budgets and direct the interagency process for program development and implementation has been strengthened. Even so, the Coordinator has been unable to effectively oversee the anticrime program for the former Soviet Union. Interagency cooperation in implementing aid programs for the former Soviet Union has improved, with fewer disagreements on program content.

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**Foreign Assistance:  
Private Voluntary Organizations' Contributions and Limitations**

GAO/NSIAD-96-34, Dec. 15 (77 pages).

In response to budget constraints and concerns about effectiveness, major donors, including the United States, are reassessing their foreign aid programs and strategies. The method of delivery is one of the primary areas being reexamined. Although most U.S. foreign aid is still delivered on a government-to-government basis, the current administration had pledged to boost the percentage of U.S. assistance being channeled through nongovernmental organizations during the next five years. Some congressional proposals have recommended that U.S. development aid be channeled through nongovernmental organizations, including private voluntary organizations. Support for a greater role of private voluntary organizations in delivering assistance seems to stem from general disappointment with the results of more than 40 years of government-to-government assistance and a perception that private groups are better able to identify development needs and deliver help. This report analyzes (1) the role of private voluntary organizations in delivering U.S. foreign assistance and the potential issues and implications of increasing their role in delivery aid, including accountability issues; (2) 26 private voluntary organization projects and whether they achieved their objectives; and (3) the extent to which U.S. private voluntary organizations are dependent on funding from the U.S. government.

**Foreign Investment:  
Implementation of Exon-Florio and Related Amendments**

GAO/NSIAD-96-12, Dec. 21 (44 pages).

In 1988, Congress enacted the Exon-Florio legislation authorizing the President to suspend or prohibit foreign acquisitions, mergers, or takeovers of U.S. companies when credible evidence exists that a foreign controlling interest might threaten national security and when other legislation cannot provide adequate protection. The President delegated authority to review foreign investment transactions to an interagency group—the Committee on Foreign Investment in the United States. This report examines (1) the characteristics of foreign investments and the extent to which these investments are reported to the Committee and (2) the factors that the Committee considers in deciding whether a foreign investment would result in a foreign company's control of a U.S. company.

whether the acquiring company is controlled by a foreign government, and whether national security risks exist. GAO analyzed these issues for a sample of 16 cases that the Committee reviewed in 1992 and 1993.

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## Justice and Law Enforcement

### **Private Attorneys: Selected Attorneys' Fee Awards Against Nine Federal Agencies in 1993 and 1994**

GAO/GGD-96-18, Oct. 31 (32 pages).

This report provides information on the number of cases and amount of plaintiff attorneys' fees exceeding \$100,000 that were awarded against federal agencies for cases closed during fiscal years 1993 and 1994. These data include the highest individual fees and hourly rates awarded under federal statutes against the following nine federal agencies: the Departments of Defense, Health and Human Services, Housing and Urban Development, the Interior, Justice, Transportation, and the Treasury; the General Services Administration; and the U.S. Postal Service. GAO also provides data on attorneys' fee awards reported in the fiscal year 1993 Equal Access to Justice annual reports and attorneys' fee awards paid from the Judgement Fund during fiscal years 1993 and 1994.

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## National Defense

### **Unmanned Aerial Vehicles: Hunter System Is Not Appropriate for Navy Fleet Use**

GAO/NSIAD-96-2, Dec. 1 (10 pages).

The Defense Department (DOD) continues to develop a variant of the Hunter unmanned aerial vehicle for use on amphibious assault ships despite objections from Navy fleet commanders, who do not want the spy plane on their vessels because of limited shipboard space and the Hunter's questionable performance record. Because the Hunter cannot take off or land vertically, a ship's crew would have to clear the back half of a ship's deck to allow the Hunter to take off and land. Helicopters and jets would have to be moved below deck or to the front of the ship. For Hunter landings, the crew would also have to erect a protective barrier to shield parked aircraft from an out-of-control Hunter. In addition, Hunter's range of about 100 miles is considered inadequate in the vast Pacific. Also, when the Hunter is viewing land targets, its limited range means that the ship must move closer to shore, increasing the risk from shore patrol attacks,

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mines, and other threats. GAO concludes that DOD is at risk of investing in a spy plane that may never be used.

**Depot Maintenance:  
The Navy's Decision to Stop F/A-18 Repairs at Ogden Air  
Logistics Center**

GAO/NSIAD-96-31, Dec. 15 (28 pages).

GAO reviewed the Navy's analysis to support its decision to move F/A-18 depot maintenance work from the Air Force Ogden Air Logistics Center in Odgen, Utah, to the North Island Naval Aviation Depot in San Diego, California. This report addresses GAO's (1) review of the Navy's analysis and adjustments for cost and performance comparability used to justify the decision to move its F/A-18 repair activities from Ogden to North Island, (2) independent analysis using more current data than that available at the time of the Navy's decision, and (3) analysis of the adequacy of guidance regarding the conduct of merit-based analyses.

**Army and Marine Corps M198 Howitzer:  
Maintenance Problems Not Severe Enough to Accelerate  
Replacement System**

GAO/NSIAD-96-59, Dec. 27 (14 pages).

Marine Corps and Army users of the M198 155-millimeter towed howitzer want to replace the 15,600-pound cannon with a light-weight weapon to ease the burden on crews and to improve air and ground mobility. The Marines have found it hard to tow the M198 over soft terrain, and only their heavy-lift helicopter can move the weapon by air. This report discusses whether the Marine Corps' and Army's reported maintenance problems with the M198 justify accelerating the development of a replacement weapon. GAO also provides information on the Marine Corps' and the Army's planned development of a new, light-weight 155-millimeter howitzer.

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**Tax Policy and  
Administration**

**The 1995 Tax Filing Season:  
IRS Performance Indicators Provide Incomplete Information About  
Some Problems**

GAO/GGD-96-48, Dec. 29 (35 pages).

This report assesses the Internal Revenue Service's (IRS) performance during the 1995 tax filing season. Although IRS indicators show that the agency met many of the 1995 filing season's goals, these indicators do not provide a complete assessment of the filing season. Several problems are not obvious from these indicators: (1) IRS' efforts to combat fraud generated much adverse publicity that might have been avoided had the agency better forewarned taxpayers of potential refund delays; (2) GAO's tests and IRS data showed that taxpayers continued to have serious problems trying to reach IRS by telephone; and (3) a new document imaging system did not work as well as expected, leading to increased costs to process returns and lower-than-expected productivity.

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## Veterans Affairs

### **VA Health Care:**

#### **How Distance From VA Facilities Affects Veterans' Use of VA Services**

GAO/HEHS-96-31, Dec. 20 (24 pages).

Living within five miles of a VA hospital or outpatient clinic significantly increases the likelihood that a veteran will use VA health care services. Although most veterans live within 25 miles of a VA hospital or outpatient clinic, use of a VA facility declines significantly among veterans living more than five miles from a VA facility. Only about 11 percent of veterans live within five miles of a VA hospital that provides acute medical and surgical care and 17 percent within five miles of a VA outpatient clinic. Use of VA health care services does not decline with distance as rapidly among veterans receiving VA compensation or pension payments. Even those veterans with service-connected disability who live more than 100 miles from a VA outpatient clinic are more likely to avail themselves of VA outpatient services than are higher income veterans with nonservice-connected disabilities who live within five miles of a VA outpatient clinic. Other factors that may contribute to differences in the use of VA services include broader eligibility and entitlement to outpatient care for service-connected and low-income veterans, veterans' ages, and differences in available resources.

### **VA Health Care:**

#### **Trends in Malpractice Claims Can Aid in Addressing Quality of Care Problems**

GAO/HEHS-96-24, Dec. 21 (16 pages).

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From fiscal year 1990 through fiscal year 1994, malpractice claims against VA medical centers have steadily increased, from 678 to 978, with payments made to claimants totaling more than \$200 million. In 1992, the Department of Veterans Affairs (VA) entered into an agreement with the Armed Forces Institute of Pathology (AFIP) to analyze trends in VA malpractice claims. VA's quality assurance staff, however, are making only limited use of the information being developed by AFIP. Although information on malpractice claims is available from the Defense Department (DOD), it is not comparable to the malpractice data that VA collects. The main reason for the lack of comparability is the absence of a standard data collection format. Nonetheless, VA may find the DOD information useful when comparing areas in which malpractice claims are being generated, such as incidents related to surgery, diagnosis, and medication.

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## Special Publications

### **Energy and Science: Five-Year Bibliography 1990-1994**

GAO/RCED-96-7W, Dec. 1995 (352 pages).

GAO's Energy and Science Issue Area examines the activities of a variety of entities, from the Nuclear Regulatory Commission to the Tennessee Valley Authority to the National Science Foundation. This work reviews the role and continued need for a federal presence in these areas, exposing incidences of waste and mismanagement and promoting a smaller, more efficient, and cost-effective government. Organized into four main sections—"Management and Missions of Energy and Science Agencies," "Consequences and Implications of the Nuclear Age," "Competition and Security in Energy Supplies," and "Federal Role and Investment in Science and Technology"—this extensive bibliography lists products on science and energy topics that GAO issued from 1990 through 1994. The documents are listed chronologically, with the most recent reports first. A subject index and ordering information are included. **(Please note: Printed copies of this document are not available. The bibliography can be accessed electronically via the World Wide Web from the GAO home page at <http://www.gao.gov>. For more information on GAO reports and testimony available on the Internet, send e-mail to [info@www.gao.gov](mailto:info@www.gao.gov))**

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**GAO Reports:**

**Health, Education, Employment, Social Security, Welfare, and Veterans Issues**

GAO/HEHS-96-69W, Dec. 1995 (48 pages).

This booklet lists GAO documents on government programs related to health, education, employment, social security, welfare, and veterans issues, which are primarily run by the Departments of Health and Human Services, Labor, Education, and Veterans Affairs. One section identifies reports and testimony issued during the past month and summarizes key products. Another section lists all documents published during the past year, organized chronologically by subject. Order forms are included.



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